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AUDIT COMMITTEE 8TH JUNE 2021

PRESENT: The Chair (Jane Nellist)
The Vice Chair (Councillor Bolton)
Councillors S. Bradshaw, Hadji-Nikolaou, Parsons
and Snartt

Strategic Director; Environment and Corporate
Services

Head of Strategic Support

Head of Financial Services

Head of Landlord Services

Head of Planning and Regeneration

Audit Manager

Senior Auditor

Sustainability Officer

Democratic Services Officer (NC)

Democratic Services Officer (EB)

M. Surridge – External Auditor

Councillor Rollings (Lead Member for
Transformation)

APOLOGIES: Strategic Director; Commercial Development,
Assets and Leisure

The Chair stated that the meeting would be recorded and the sound recording subsequently made available via the Council's website. She also advised that, under the Openness of Local Government Bodies Regulations 2014, other people may film, record, tweet or blog from this meeting, and the use of any such images or sound recordings was not under the Council's control.

1. MINUTES FROM THE PREVIOUS MEETING

The minutes of the meeting of the Committee held on 9th February 2021 were confirmed as a correct record.

2. AGENDA VARIANCE

At the approval of the Chair the following item was brought forward: Item of Urgent Business - Appointment of Vice Chair 2021-22.

3. ITEM OF URGENT BUSINESS - APPOINTMENT OF VICE-CHAIR 2021-22

Councillor Parsons was nominated to be the Audit Committee Vice-Chair for 2021/22. The proposal was put to the vote by the committee.

RESOLVED that Councillor Parsons be appointed Vice-Chair of the Committee for the Council year 2021/22.

4. DISCLOSURES OF PECUNIARY AND PERSONAL INTEREST

No disclosures were made.

5. QUESTIONS UNDER OTHER COMMITTEE PROCEDURES 12.8

No questions had been submitted.

6. 2019/20 ANNUAL AUDIT LETTER

A report of the External Auditors was submitted setting out the Annual Audit Letter for 2019/20 (item 5 on the agenda filed with these minutes).

Mark Surridge, representing the External Auditors, attended the meeting to assist the Committee with the consideration of this item.

It was noted that all areas of responsibility were assessed with a green rating, meaning that the External Auditors had clean opinions.

The Committee were advised in response to a question that with regards to the financial statement materiality being based on 2% of Total Gross Expenditure, this figure was based on gross revenue including Housing Revenue Allowance expenditure as well as General Fund expenditure. It also included areas of non-general funds such as appreciation.

RESOLVED that the report be noted.

Reason

To acknowledge the Committee's consideration of the matter.

7. AUDIT STRATEGY MEMORANDUM - YEAR ENDING 31 MARCH 2021

A report of the External Auditors was submitted setting out the Audit Strategy Memorandum for the financial year ending 31st March 2021 (item 6 on the agenda filed with these minutes).

Mark Surridge, representing the External Auditors, attended the meeting to assist the Committee with the consideration of this item.

It was noted that:

- It was the responsibility of the External Auditor to issue an opinion on financial statements.
- External Auditors had a duty to provide Value for Money (VfM) commentary.
- Electors had rights to ask questions of the Auditors.

- It was the responsibility of the Auditors to design procedures for fraud rather than to detect it.
- There were 4 main areas of significant risk:
 - Management override of controls – This was not necessarily a heightened risk.
 - Net defined benefit liability valuation – This related largely to the pension scheme and involved very large numbers based on judgements and estimates. As such, extra time was spent on estimates.
 - Valuation of land & buildings, council dwellings, investment properties (where material) and assets held for sale (where material) – This was supported by a professional valuer.
 - Covid-19 grant recognition – This considered which grants would end up in financial statements and looking at accounting arrangements. The eligibility of business rate payers for grants was not tested. This was considered to be a significant risk as it was a new risk and involved large amounts of money. The Committee were advised not to take false assurance from this work.
- The VfM element had a new code of Audit Practice creating a new approach on the way the auditors worked. In previous years there had been a conclusion whereas this year there was a detailed commentary on the arrangements that the Council had in place. The VfM Commentary Report would be in the public domain, showing the processes on financial sustainability, governance and costs and performance. Each aspect should be in place in any public sector organisation.
- The committee were assured that the external auditors were fair, balanced, independent and objective.
- A webinar was being run by Mazars that would cover the basics of an Audit Committee.

The Committee were advised in response to questions that:

- The reason that Management Override Controls had more of an impact than the pension fund was because there had been an increase in the level of the reporting of fraud and as such the auditors were professionally sceptical of arrangements in place and as such it was appropriate that due diligence was taken.
- With regard to Covid-19 grant recognition, finance teams judgement was driven by accounting standards using 'principle', which referred to specific issues such as revenue support grants, and 'agent', which referred to issues such as business rates whereby the authority was passing funds through on behalf of another body.
- The competence of the VfM conclusion was decided through concerns raised at Audit Committee meetings and was seen as a collective responsibility. This issue would be covered in their webinar.
- VfM Measurements had been made this financial year as there had been a number of criticisms whereby organisations had not acted on auditor advice and has led to high-profile failings. The new code gave auditors more power to enact on organisations that were not performing. The external auditors had a shared responsibility with the Audit Committee and it was officers' responsibility to act on advice.

RESOLVED that the report be noted.

Reason

To acknowledge the Committee's consideration of the matter.

8. 2020/21 INTERNAL AUDIT ANNUAL REPORT

A report of the Head of Strategic Support was submitted presenting the Internal Audit annual report (item 7 on the agenda filed with these minutes).

The Audit Manager attended the meeting to assist with consideration of the item.

It was noted that:

- The report assessed the adequacy and effectiveness of the control environment.
- Reasonable assurance was given that there was a sound system of governance risk management. There was some scope for improvement, but there was a positive position overall.
- There was a requirement to flag up any issues on the annual governance statement and the Asbestos Management Report had been flagged up.
- There was a requirement to include the details of the quota improvement programme.
- There were no gaps in compliance over the year.

The Committee were advised in response to questions that:

- Good progress had been made following up on recommendations, including on the Asbestos Management Report. There would be more following on later in the year and the Committee would be updated through progress reports.
- When development control was looked at it was seen what arrangement plans were in place to go through applications as they came in to ensure that they went through the correct process. Legislation was considered in terms of performance standards, the appeals process and fees. The audit included a range of aspects but primarily looked at internal policies and procedures such as the training given to the Plans Committee.
- Outsourcing had not featured on this year's audit, but it may feature on the audit plan in terms of how the Council were managing contracts.
- Feedback through customer satisfaction surveys was welcomed and senior management would be consulted on whether surveys should be followed up on.
- A large amount of time was taken on research for Tree Preservation Orders.
- Adjusting to a remote audit had caused processes to take longer, including for payroll testing. A high number of days was needed for a substantial audit. Assurance could have been taken at an earlier stage and this would be considered as a team.

RESOLVED that the report be noted.

Reason

To enable the Committee to consider the report prior to receiving the Annual Governance Statement for consideration.

9. INTERNAL AUDIT PROGRESS REPORT 2020/21 TO 31ST MAY 2021

A report of the Head of Strategic Support was submitted summarising the progress against the 2020/21 Audit Plan, outlining key findings from final reports and any outstanding recommendations (item 8 on the agenda filed with these Minutes).

The Audit Manager and the Head of Landlord Services attended the meeting to assist with the consideration of this item.

It was noted that:

- There had been many reports from this period and the Committee would receive another report that would fully conclude everything in the 2020-21 financial year.
- Limited assurance could be given on the Asbestos Management Audit.
- Work had commenced on the 2021-22 plan, although there were no outcomes at this time.
- Work had been carried out on new business grants and insurance schemes for the original grant scheme would continue.

The Committee were advised in response to questions that:

- New resources would be in place for tenant safety through the actions of the audit.
- Statistics on the levels of asbestos-related illness were not available, however there was regular monitoring of occupational health.
- Regarding the extension of implementation dates, there was a discussion between the auditor and the relevant Head of Service or Service Manager over what was reasonable and feasible.
- If it was thought that actions were taking an unacceptably long time or that there was an unacceptable response, these would be highlighted. If there was an unacceptable level of risk, it would be reported back upon.
- When audits were carried out on services, efficiency was considered, and controls were considered if necessary. It was also considered as to what controls in place were trying to achieve. Not every service was audited so an audit review programme may be looked at.
- The focus was on governance and management and internal arrangements so comparisons may not necessarily be seen. If data was available, then comparisons could be made and knowledge from other authorities used to challenge.
- Looking at statistics on whether complaints had risen or fallen would be beyond the role of the internal audit as there was a focus on how complaints were dealt with rather than trends on the amount received.

- Regarding fraud concerning discounts and exemptions on Council Tax, samples of testing were collected, and reviews were carried out by the service. Substantive testing was carried out to ensure that procedures to pick up fraud were correct.

At the request of the Chair it was agreed that a spreadsheet would be added to the end of the next report to show which issues were outstanding going forward.

At the request of the Chair, an offer was extended for Committee members to shadow the Internal Audit to see what they do.

RESOLVED

1. That the report be noted; and
2. that a spreadsheet showing outstanding issues be appended to the next report; and
3. an offer be made for Committee Members to shadow Internal Audit

Reason

1. To ensure the Committee is kept informed of progress against the Internal Audit plan and work of Internal Audit.
2. The information had been requested by the Chair.
3. The offer was requested by the Chair.

10. ALLOWANCES AND EXPENSES CLAIMED BY COUNCILLORS AND CO-OPTED MEMBERS 2020/2021

A report of the Head of Strategic Support was submitted to the committee to consider the amounts claimed by members of the Borough Council and co-opted members under the Council's Members' Allowances Scheme for 2020/2021 (item 9 on the agenda filed with these minutes).

It was noted that some Councillors had claimed mileage during lockdown as they had 4 months to submit claims and pre-lockdown claims could have come in the following financial year.

The Committee were advised in response to a question that not much had been saved by not paying travel during lockdown as not many Councillors had claimed it prior to lockdown.

RESOLVED

1. That the amounts claimed in allowances and expenses by Councillors and co-opted members be noted; and

2. that any issues arising from the report be referred to the Head of Strategic Support for further investigation.

Reasons

1. To enable the Committee to ensure that the operation of the Members' Allowances Scheme complied with the published standards and controls.
2. To ensure that the issues could be investigated and a response given, and if necessary recommendations made for addressing any unresolved issues.

11. ANNUAL UPDATE RE THE ANTI-FRAUD & CORRUPTION STRATEGY AND WHISTLE-BLOWING POLICY

A report of the Head of Strategic Support was submitted a report providing the committee with information on the operation of the Anti-Fraud & Corruption Strategy and Whistle-blowing Policy during 2020/21 (item 10 on the agenda filed with these minutes).

It was noted that some frauds had been identified on Covid-19 grants and much of it had been reclaimed.

The Committee were advised in response to questions that:

- The volume of Covid-19 grants had been extensive and the government had been keen for the Council to pay as quickly as possible. In the very early weeks of the lockdown, pre-paid cheques were issued in line with government instruction as the alternative was a very bureaucratic process that was difficult to evaluate. Every effort had been made to recover and prevent frauds.
- It was unclear when information would be available on treasury management. Some discretionary grants could be given to deserving cases. This was not considered a big liability for the Council.

RESOLVED that the report be noted.

Reason

To ensure the Committee is kept up to date on the operation of the policies, and instances where they have been applied.

12. ENVIRONMENTAL AUDITS - REPORT ON OUTCOMES

A report of the Head of Planning and Regeneration was submitted updating the Committee on the outcome of environmental audits undertaken for March 2021. (item 11 on the agenda filed with these minutes).

Councillor Rollings (Lead Member for Transformation), The Head of Planning and Regeneration and the Sustainability Officer attended the meeting to assist the Committee with the consideration of this item.

It was noted that:

- Compliance with regulations was good, despite the impact of home working.
- There were a small number of issues, but these had been addressed adequately.
- Audits had been shared with building managers.
- Audits had been prioritised in relation to risk.
- Non-Conformance with Requirement (NCR) could be an issue or a recommendation. In this years' audit 6 NCRs with improvement plans were already in place, including 14 issues and 6 recommendations.

The Committee were advised in response to questions that:

- The audit only covered buildings. Other departments, such as the waste vehicle fleet, would be managed within their departments.
- As the Charnwood Borough Council Environmental Management System specifically concerned the Council's own buildings, points about Mountsorrel Quarry and Housing would fall under different regulatory regimes. Planning permission for the quarry fell under Leicestershire County Council minerals authority under which there would be an environmental impact assessment. Housing fell under the Charnwood Borough Council Planning department and any major developments would be subject to an environmental impact assessment and would be taken into consideration when considering whether or not to grant planning permission.
- The local plan contained an appendix on sustainability.

RESOLVED that the outcome of the report be noted, including the identified actions for any mitigation required.

Reason

To ensure the Committee is kept informed of the Council's approach to managing environmental risks related to the Environmental Management System.

13. RISK MANAGEMENT (RISK REGISTER) UPDATE

A report of the Strategic Director for Environment and Corporate Services was submitted providing the Committee with details of the Strategic Risk Register produced for the period to 2020/21, and also to provide information on the risk register that has been compiled to reflect the ongoing COVID-19 situation (item 12 on the agenda filed with these minutes).

It was noted that no new risks had been added or removed, but ratings had been updated, particularly on the Covid-19 Risk Register.

It was noted by the Chair that Internal Audit will have used this information, as well as other resources, to inform planning the audit.

RESOLVED that the report be noted.

Reason

To ensure the Committee is kept informed of progress against the strategic risks that should they crystallise would cause the Council to be unable to operate and/or provide key services leading to a significant adverse effect on public wellbeing, and also about the COVID-19 risk register.

14. COUNCIL'S USE OF REGULATORY OF INVESTIGATORY POWERS ACT (RIPA)

A report of the Head of Strategic Support was submitted providing the Committee with a summary of the Council's use of RIPA powers (item 13 on the agenda filed with these minutes).

It was noted that:

- RIPA had not been used by the Council in the previous quarter.
- The 4-year inspection to ensure the act was being used correctly was due shortly.

It was clarified that there had been an error with the dates on the report and it should have read that the period covered December 2020 to the end of February 2021.

RESOLVED that the Committee note that there has been no use of RIPA powers by the Council for the period from 1st December 2020 to 28th February 2020.

Reason

To enable the Committee to comply with the request from Cabinet that the Audit Committee assumes responsibility for receiving a quarterly report on the use of RIPA, and to report to Cabinet any concerns arising from those reports that may indicate that the use of RIPA is not consistent with the Policy or that the Policy may not be fit for purpose.

15. TREASURY OUTTURN REPORT 2020/21

A report of the Head of Financial Services was submitted reporting to the Committee the Council's Treasury Management, Investment Management and Prudential Code Outturns for the year 2020/21 (item 14 on the agenda filed with these minutes).

It was noted that:

- In Capital Expenditure the budget on the General Fund was £57.8 million against a spend of £30 million with an underspend of £27.8 million.
- There was a slippage request of £25.4 million that left a balance of an underspend of £2.4 million that would go back into the Capital Plan.
- The slippage report would go to Cabinet on 1st July.
- The HRA budget was £9 million with a balance of £5 million and a slippage request of £2 million.

- The HRA underspend of £3 million would fall back in to the HRA financing fund.
- Regarding the Investment Outturn Report, the interest earned for the financial year was £342,000 against a revised budget of £300k. In the 2019/20 financial year the outturn had been £562,000.
- Rates had dropped low and there was a good return on external property funds of £182,000 with internally managed funds of £160,000.
- The budget for next financial year had been set at a level of £300,000.
- The Loughborough Town Deal had been approved and £17 million should be added to the Capital Plan.

The Chair noted that slippage in terms of capital expenditure was to be expected in the current climate.

A document detailing the slippage figures was circulated (appended with these minutes).

The Committee were advised in response to questions that:

- There were two areas of underspend. Underspend on Revenue would go back into the General Fund Balance. Regarding underspend on Capital, there would be some projects that would not progress as quickly as hoped and there were project management lessons to be learned. There was a clear rationale to carry forward and numbers would reflect the Council's commitment with regards to projects such as the £15 million Enterprise Zone. Schemes with the Leicester and Leicestershire Enterprise Partnership (LLEP) were eligible for forward funds. Some of the Town Deal regeneration budget would be spent against this and there was another £10 million available to spend this financial year. It was possible that not all of the money would be spent by 31st March 2022. It was added that there was a Capital monitoring process three times a year as well as the outturn.
- Section 106 monies were monitored internally with a team of officers in conjunction with external parties such as the NHS and the Police. Many schemes were project managed in conjunction with Parish Councils. It was not thought that the Council had needed to pay money back to developers that had not been used in time.
- There was a 5-year overriding rule that investments did not hit the bottom line. Valuation losses were accounted for. Unusable reserve accounts did not hit the General Fund reserve balances. This information was included for transparency purposes and good returns had been taken on them. Money taken out of reserves would be a line in the Statement of Accounts.
- Negative cost figures in the HRA were more obvious as there was lost debt. Negative figures were due to interest receivable being higher than interest payable.

RESOLVED that the report be noted.

Reason

To acknowledge the Committee's consideration of the matter.

16. WORK PROGRAMME

A report of the Head of Strategic Support was submitted to enable the Committee to consider its work programme (item 15 on the agenda filed with these minutes).

It was noted that the External Quality of Internal Audit had been considered at the meeting of the Audit Committee on 9th February 2021.

The Committee were advised in response to questions that:

- The Ombudsman report would go to Full Council and any risk areas identified would follow to the Risk Report which would be seen by the Audit Committee.
- There had been a recommendation from Budget Scrutiny that Commercial Investments be monitored either by the Audit Committee or by the Scrutiny Commission.

RESOLVED that the Committee proceeds on the basis of the work programme, which incorporates all decisions made at this meeting.

17. EXEMPT INFORMATION

It was resolved that members of the public be excluded from the meeting during the consideration of the item on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

18. GOVERNANCE AND RISK ASPECT OF COMMERCIAL INVESTMENT AND PERFORMANCE REVIEW

An exempt report of the Strategic Director for Commercial Development, Assets and Leisure (Exempt item 17 on the agenda filed with these minutes).

A summary of the Committee's discussion on this matter is provided in the exempt minute (Audit Committee 18E. 2020/21)

RESOLVED

1. that decisions be made as detailed in the exempt minute (Audit Committee Minute 18E 2020/21);
2. that the exempt report of the Audit Committee be noted.

Reason

As set out in the exempt minute (Audit Committee Minute 18E 2020/21).

NOTES:

1. No reference may be made to these minutes at the next meeting of the Full Council unless notice to that effect is given to the Democratic Services Manager by five members of the Council by noon on the fifth working day following publication of these minutes.
2. These minutes are subject to confirmation as a correct record at the next meeting of the Audit Committee.

(TM Outturn Report 08/06)

Summary Capital Budget 2020

General Fund

	25,000,000.00
	4,800,000.00
	2,038,000.00
	15,000,000.00
	5,000,000.00
	1,657,000.00
	600,000.00
	1,013,800.00
	250,000.00
	2,469,600.00
Total GF Budget	<u><u>57,828,400.00</u></u>

Outturn Summary Position

GF Capital Budget	57,828,400.00
Less Spend in yr	-29,906,229.00
Less Slippage	-25,436,900.00
GF Underspend	<u><u>2,485,271.00</u></u>

HRA Budget	9,099,700.00
Less Spend in Year	-4,025,988.00
Less Slippage	-2,238,400.00
HRA Underspend	<u><u>2,835,312.00</u></u>

(Capital Outturn Report 01/07)

Summary of Capital Budgets Slippage to 2021/22

General Fund	£	
Commercialisation		0
Fleet		0
Bedford Sq	1,525,600.00	
Committed Enterprise Zone	15,000,000.00	External borrowing
Committed Town Deal/Regeneration Budget	4,795,400.00	External borrowing
Disabled Facilities Grants	990,300.00	Grant funded
Shephed Bull Ring	504,400.00	Capital Receipts
3rd Party Schemes/S106	785,500.00	S106 Funded/Externally Grant Funded
Vaccination Centre	50,000.00	NHS Externally Funded
Other Live GF Capital Schemes	1,785,700.00	
Total GF Carry Forward Cabinet Request	<u>25,436,900.00</u>	

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